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**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**LUNE D'OR ENTERPRISES, LLC
AND SUBSIDIARIES**

DECEMBER 31, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/15/10

Lune d'Or Enterprises, LLC and Subsidiaries

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INDEPENDENT AUDITORS' REPORT

To the Members
Lune d'Or Enterprises, LLC and Subsidiaries

We have audited the accompanying consolidated balance sheets of Lune d'Or Enterprises, LLC and Subsidiaries (the Company) as of December 31, 2009 and 2008, and the related statements of operations, members' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lune d'Or Enterprises, LLC and Subsidiaries as of December 31, 2009 and 2008, and the results of its operations, members' equity (deficit), and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The report dated July 28, 2010 has been reissued to report a finding in internal control over financial reporting related to the 2009 consolidated financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2010, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



**Reznick
Group**

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Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information on pages 29 through 40 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied to the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Charlotte, North Carolina
August 27, 2010

Reznick Group, P.C.

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2009 and 2008

ASSETS

	2009	2008
Current Assets		
Cash and cash equivalents	\$ 11,839,171	\$ 22,630,152
Accounts receivable - tenant	41,092	31,124
Accounts receivable - other	479,495	208,947
Prepaid expenses	56,266	732,398
Total Current Assets	12,416,024	23,602,621
Restricted Deposits and Funded Reserves		
Resident security deposits	28,720	7,305
Replacement reserve	168,698	-
Other escrows	2,193,120	2,838,170
Total Restricted Deposits and Funded Reserves	2,390,538	2,845,475
Rental Property		
Buildings and improvements	33,184,209	33,184,209
Land improvements	4,860,619	4,263,262
Furniture, equipment and machinery	880,539	880,539
Construction in progress	20,518,379	8,542,864
	59,443,746	46,870,874
Less accumulated depreciation	(4,239,178)	(2,920,251)
Total Rental Property	55,204,568	43,950,623
Other Noncurrent Assets		
Loan fees	1,447,308	1,554,659
Tax credit monitoring fees	10,804	11,710
Prepaid ground lease	964,669	1,006,682
Other assets	271,477	321,877
Total Other Noncurrent Assets	2,694,258	2,894,928
Total Assets	\$ 72,705,388	\$ 73,293,647

(continued)

Lune d'Or Enterprises, LLC and Subsidiaries
CONSOLIDATED BALANCE SHEETS - CONTINUED

December 31, 2009 and 2008

LIABILITIES AND MEMBER'S EQUITY (DEFICIT)

	<u>2009</u>	<u>2008</u>
Current Liabilities		
Accounts payable	\$ 69,367	\$ 61,962
Construction costs payable	-	742,832
Accrued expenses	469,665	236,302
Asset management fee payable	23,305	9,664
Developer fee payable	2,186,110	2,186,110
Due to related party	5,189,391	4,732,862
Construction note payable to related party	25,344,940	25,344,940
Accrued interest payable to related party	<u>8,577,149</u>	<u>5,535,757</u>
Total Current Liabilities	<u>41,859,927</u>	<u>38,850,429</u>
Deposits and Prepaid Liability		
Resident security deposits	26,620	25,767
Prepaid rent	<u>5,397</u>	<u>7,385</u>
Total Long-Term Liabilities	<u>32,017</u>	<u>33,152</u>
Long-Term Liabilities		
Notes payable - related party	37,779,894	38,422,969
Accrued interest payable	<u>2,501,130</u>	<u>949,476</u>
Total Long-Term Liabilities	<u>40,281,024</u>	<u>39,372,445</u>
Equity (deficit)		
Member's equity (deficit)	591,769	416,471
Noncontrolling interest	<u>(10,059,349)</u>	<u>(5,378,850)</u>
Total equity (deficit)	<u>(9,467,580)</u>	<u>(4,962,379)</u>
Total Liabilities and Member's Equity (Deficit)	<u>\$ 72,705,388</u>	<u>\$ 73,293,647</u>

See notes to consolidated financial statements

Lune d'Or Enterprises, LLC and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenue		
Rental income	\$ 1,533,804	\$ 1,264,609
Vacancies and concessions	(80,862)	-
Other operating income	<u>335,626</u>	<u>34,557</u>
Total Revenue	<u>1,788,568</u>	<u>1,299,166</u>
Operating Expenses		
Salaries and employee benefits	445,755	252,763
Repairs and maintenance	500,249	155,100
Utilities	258,094	187,706
Property management fee	101,539	46,698
Property insurance	414,214	195,032
Miscellaneous operating expenses	<u>147,312</u>	<u>166,797</u>
Total Operating Expenses	<u>1,867,163</u>	<u>1,004,096</u>
Net Operating Income (Loss)	<u>(78,595)</u>	<u>295,070</u>
Other Income (Expense)		
Interest income	18,925	459,161
Interest expense	(3,140,580)	(2,672,780)
Other financial income (expense)	(2,149)	(5,524)
Miscellaneous other income (expense)	(50,872)	845,209
Annual fee to affiliate of limited partner	(13,661)	(5,524)
Gain (loss) disposal of assets	188,915	(324,430)
Depreciation	(1,318,927)	(1,340,494)
Amortization	<u>(108,257)</u>	<u>(112,156)</u>
Total Other Income (Expenses)	<u>(4,426,606)</u>	<u>(3,156,538)</u>
Net Income (Loss)	<u>(4,505,201)</u>	<u>(2,861,468)</u>
Non-controlling interest	<u>(4,680,499)</u>	<u>(2,651,597)</u>
Net Income (Loss) Attributable to Lune d'Ore Enterprises, LLC	<u>\$ 175,298</u>	<u>\$ (209,871)</u>

See notes to consolidated financial statements

Lune d'Or Enterprises, LLC and Subsidiaries
CONSOLIDATED STATEMENTS OF EQUITY
Years ended December 31, 2009 and 2008

	<u>Member's Equity</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance January 1, 2008, as previously reported	\$ (2,552,769)	\$ -	\$ (2,552,769)
To account for equity interest in limited liability companies	271,615	(2,727,253)	(2,455,638)
To recognize forgiveness of related party note payable	2,907,596	-	2,907,596
To reclass equity contribution receivable	<u>(100)</u>	<u>-</u>	<u>(100)</u>
Balance January 1, 2008, as restated	626,342	(2,727,253)	(2,100,911)
Net Income (Loss)	<u>(209,871)</u>	<u>(2,651,597)</u>	<u>(2,861,468)</u>
Balance December 31, 2008	416,471	(5,378,850)	(4,962,379)
Net Income (Loss)	<u>175,298</u>	<u>(4,680,499)</u>	<u>(4,505,201)</u>
Balance December 31, 2009	<u><u>\$ 591,769</u></u>	<u><u>\$ (10,059,349)</u></u>	<u><u>\$ (9,467,580)</u></u>

See notes to consolidated financial statements

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (4,505,201)	\$ (2,861,468)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation	1,318,927	1,340,494
Amortization	108,257	112,156
(Gain) loss on disposal of assets	(188,915)	324,430
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable - tenant	(9,968)	3,700
Accounts receivable - other	(270,548)	(125,697)
Prepaid expenses	718,145	(273,329)
Tenant security deposits, net	(20,562)	(2,486)
Other assets	50,400	(50,400)
Accounts payable	7,405	178,337
Accrued expenses	233,363	96,362
Asset management fee payable	13,641	(36,686)
Prepaid rent	(1,988)	6,753
Accrued interest payable to related party	<u>2,549,784</u>	<u>2,668,965</u>
Net cash provided (used) by operating activities	<u>2,740</u>	<u>1,381,131</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(10,340,695)	(25,298,524)
Replacement reserve, net	(168,698)	-
Other escrows, net	645,050	59,959
Construction cost payable, net	<u>(742,832)</u>	<u>(2,668,996)</u>
Net cash provided (used) by investing activities	<u>(10,607,175)</u>	<u>(27,907,561)</u>

(continued)

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Notes payable - related party	(643,075)	15,566,664
Due to related parties, net	<u>456,529</u>	<u>214,408</u>
Net cash provided (used) by financing activities	<u>(186,546)</u>	<u>15,781,072</u>
Net increase (decrease) in cash and cash equivalents	(10,790,981)	(10,745,358)
Cash and cash equivalents, beginning of year	<u>22,630,152</u>	<u>33,375,510</u>
Cash and cash equivalents, end of year	<u>\$ 11,839,171</u>	<u>\$ 22,630,152</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 590,796</u>	<u>\$ 436,738</u>
Supplemental disclosure of noncash investing and financing information:		
Interest capitalized	<u>\$ 2,043,262</u>	<u>\$ -</u>
Gain (loss) on disposal of assets:		
Notes payable - related party, net of cash paid of \$0 and \$46,304,923 in 2009 and 2008, respectively	\$ (2,045,311)	\$(25,133,662)
Accrued interest payable	(590,796)	(432,923)
Accounts payable	(1,608)	(221,812)
Prepaid ground lease	379,938	2,105,988
Development costs	<u>2,068,862</u>	<u>24,006,839</u>
	<u>\$ (188,915)</u>	<u>\$ 324,430</u>

See notes to consolidated financial statements

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Organization

Lune d'Or Enterprises, LLC ("Lune d'Or") and Subsidiaries (collectively referred to as the "Company"), a Louisiana limited liability company, was formed in March 2004. The Company was organized to acquire, finance, redevelop, rehabilitate and construct affordable housing as a for-profit subsidiary on behalf of Crescent Affordable Housing Corporation, the sole member (CAHC).

Pursuant to the Company's operating agreement, CAHC is required to provide capital contributions to the Company totaling \$100. As of December 31, 2009, the contribution has not been paid.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Lune d'Or and investments in limited liability companies in which Lune d'Or has a controlling interest. Additionally, the consolidated financial statements include the accounts of 3 limited liability companies in which Lune d'Or has a .01 percent interest. These entities are included in the consolidation according to generally accepted accounting principles which require that partnership accounts be consolidated for all limited partnerships which are deemed to be controlled by Lune d'Or. All significant intercompany transactions have been eliminated in the consolidation. The limited liability companies included in the consolidation are as follows:

<u>Entity</u>	<u>Percentage Ownership</u>
Fischer IV-3, LLC	100.00%
Guste IIb, LLC	100.00%
BW Cooper I, LLC	100.00%
Imperial I, LLC	100.00%
Imperial II, LLC	100.00%
Florida IIa, LLC	100.00%
General Ogden, LLC	100.00%
Tchoupitoulas, LLC	100.00%
Mazant Royal, LLC	100.00%
CJ Peete I, LLC	100.00%
CJ Peete III, LLC	100.00%
St. Bernard I, LLC	100.00%
Fischer I, LLC	0.01%
Fischer III, LLC	0.01%
Guste I, LLC	0.01%

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

CJ Peete I, LLC, CJ Peete II, LLC, and St. Bernard I, LLC were reorganized in December 2008 and Lune d'Or no longer has any interest or controls the operations of those entities. The operations of the three entities are included in the consolidated financial statements for the year ended December 31, 2008.

Fischer IV-3, LLC, Guste IIb, LLC, Imperial I, LLC, Imperial II, LLC, General Ogden, LLC, Tchoupitoulas, LLC and Mazant Royal, LLC were dissolved as of December 31, 2009.

Lune d'Or is a component unit of the Housing Authority of New Orleans ("HANO") under the requirements of Governmental Accounting Standards Board Statement No. 14, (*"The Financial Reporting Entity"*). Lune d'Or is presented as a blended component unit of HANO as there is a financial benefit/burden relationship with HANO.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

For purposes of the statements of cash flows, the Company considers all cash balances and highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Tenant Receivables

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Deferred Financing Fees

Financing fees are amortized over the term of the loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

Tax credit monitoring fees are being amortized using the straight-line method over the fifteen-year tax credit compliance period.

Amortization expense for the years ended December 31, 2009 and 2008 was \$108,257 and \$112,156, respectively.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

Estimated amortization expense for each of the ensuing years and thereafter is as follows:

	<u>Fischer I, LLC</u>	<u>Fischer II, LLC</u>	<u>Guste I, LLC</u>	<u>Total</u>
2010	\$ 133	\$ 38,464	\$ 69,960	\$ 108,557
2011	133	38,464	69,960	108,557
2012	133	38,464	69,960	108,557
2013	133	38,464	69,960	108,557
2014	133	38,464	69,960	108,557
Thereafter	858	346,918	567,551	915,327
	<u>\$ 1,523</u>	<u>\$ 539,238</u>	<u>\$ 917,351</u>	<u>\$ 1,458,112</u>

Rental Property

Rental property is recorded at cost. Depreciation of rental property is computed primarily using the following methods and estimated useful lives:

	<u>Useful Lives</u>	<u>Method</u>
Building	40 years	Straight-line
Land and improvements	20 years	Declining balance
Furniture and equipment	10 years	Declining balance

Impairment of Long-Lived Assets

The Company reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2009 and 2008.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the property are operating leases.

Advertising Costs

The Company's policy is to expense advertising costs when incurred.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

Income Taxes

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a single-member limited liability company. Accordingly, Lune d'Or is not required to take any tax positions in order to qualify as a pass-through entity. Guste I, LLC, Fischer I, LLC and Fischer III, LLC are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Economic Concentrations

Fischer I, LLC, Fischer III, LLC and Guste I, LLC each operates one property in New Orleans, Louisiana. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Noncontrolling interest

Interests held by investor members in limited liability companies consolidated by Lune d'Or are reflected in noncontrolling interest on the consolidated financial statements. Non-controlling interest represents the 99.99 percent share of the underlying equity of Fischer I, LLC, Fischer III, LLC and Guste I, LLC, not owned by Lune d'Or Enterprises, LLC.

Newly Adopted Accounting Principles

During the year ended December 31, 2009, the Company adopted a new accounting principle for noncontrolling interest. Noncontrolling interest was reclassified to equity and consolidated net loss as adjusted to include net loss attributable to noncontrolling interest. The new accounting principle was retrospectively applied to 2008.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Company's accounting policies. The adoption of the Codification did not have a material impact on the Company's financial position or results of operations.

NOTE 3 - RESTRICTED CASH

Restricted Cash

Pursuant to the construction loan agreement between HANO and Guste I, LLC, Fischer I, LLC and Fischer III, LLC, HANO established a cash collateral account which is used to deposit the proceeds of the respective construction loans. As of December 31, 2009 and 2008, the balance of the restricted cash was \$2,193,120 and \$2,838,170, respectively.

The above funds are in a money market account and are stated at fair value. The fair value of these instruments is determined using a three-tier fair value hierarchy. Based on this hierarchy, fair value is determined using quoted market prices, a Level 1 or an observable input. At December 31, 2009 and 2008, the fair value approximated the carrying value.

Replacement Reserve

Pursuant to the Operating Agreement, Guste I, LLC is required to make monthly deposits to a reserve for replacements account for use in funding maintenance and replacement costs. Required monthly deposits are required in the amount of \$2,416, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2009 and 2008, no amounts had been funded.

Pursuant to the Operating Agreement, Fischer I, LLC shall establish a reserve account for capital replacements, funded by monthly deposits of \$417, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2009 and 2008, the replacement reserve balance was \$45,879 and \$0, respectively.

Pursuant to the Operating Agreement, Fischer III, LLC shall establish a reserve account for capital replacements, funded by monthly deposits of \$2,416, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2009 and 2008, the replacement reserve balance was \$122,819 and \$0, respectively.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE 4 - RELATED PARTY TRANSACTIONS

Operating Subsidy

Guste I, LLC received rental subsidy from HANO amounting to \$208,953 and \$208,947 during 2009 and 2008, respectively. In addition, the Guste I, LLC received a reimbursement for certain other cost incurred of \$286,526 and \$0 during the years ended December 31, 2009 and 2008, respectively, which is included in other operating income in the statements of operations. Total due from HANO as a result of the operating subsidy and contract subsidy from HUD was \$479,495 and \$208,947 at December 31, 2009 and 2008, respectively.

Developer Agreement

Guste I, LLC, Fischer I, LLC and Fischer III, LLC entered into a development agreement with CAHC. The agreement provides for development fee and overhead for services in connection with the development of each Project and supervision of the construction. Development fees are earned based upon the occurrence of certain events, as defined, during development and construction. Total developer fees are as follows:

	Total Development Fee	Amount Earned and Payable
Guste I, LLC	\$ 1,199,510	\$ 899,510
Fischer I, LLC	279,026	231,036
Fischer III, LLC	1,355,564	1,055,564
	<u>\$ 2,834,100</u>	<u>\$ 2,186,110</u>

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

Asset Management Fee

Pursuant to the Operating Agreement, the Investor Member of Guste I, LLC, Fischer I, LLC and Fischer III, LLC shall earn an annual, cumulative fee. The fee is adjusted each year for the changes in the Consumer Price Index. Total fees earned and payable as of December 31, 2009 and 2008 and for the years then ended is as follows:

	2009		2008	
	Fees Earned	Amount Payable	Fees Earned	Amount Payable
Guste I, LLC	\$ 5,487	\$ 5,487	\$ -	\$ -
Fischer I, LLC	2,500	2,500	-	-
Fischer III, LLC	5,674	15,318	5,524	9,664
	<u>\$ 13,661</u>	<u>\$ 23,305</u>	<u>\$ 5,524</u>	<u>\$ 9,664</u>

Due to HANO

During 2006 through 2008, the Company incurred costs due to HANO. The advances related to the miscellaneous costs associated with the construction and operations of various projects. The advances do not bear interest and are to be paid from any remaining mortgage proceeds, capital contributions, and cash flow. As of December 31, 2009 and 2008, advances totaling \$4,581,602 and \$4,683,794, respectively, is payable to HANO and is included in due to related party in the accompanying consolidated balance sheets.

City Grant Funds due to HANO

The Company received from HANO advances from a City of New Orleans grant in 2008. During 2009, it was discovered that a portion of the funds were not qualified costs under the grant and are due back to HANO. The balance due to HANO at December 31, 2009 is \$558,901. The amount is included in due to related party and is payable out of the other escrow deposits.

Management Fees

Fischer III, LLC incurred management fees due to HANO prior to 2008 of which the outstanding balance of \$48,880 remains payable at December 31, 2009 and 2008 and are included in due to related party in the accompanying consolidated balance sheets.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE 5 - CONSTRUCTION NOTES PAYABLE

Guste I, LLC

In December 2003, Guste I, LLC entered into a financing agreement with HANO to use the proceeds from the issuance of Capital Fund Program Revenue Bonds for the construction and development of the Project and payment of bond redemption. The principal amount of the note was \$13,189,372. In January 2005, Guste I, LLC entered into a new financing agreement in the amount of \$10,643,312 with HANO. The loan bears interest at 3 percent with both the unpaid principal and interest due and payable on February 1, 2007. The note is in default and the interest rate has increased to 12 percent. Outstanding principal as of December 31, 2009 and 2008 was \$10,634,312 for both years. For the years ended December 31, 2009 and 2008, Guste I, LLC incurred interest in the amount of \$1,276,117 for both years. Accrued interest was \$2,538,940 and \$1,262,823, respectively.

The construction mortgage note will become permanent when the final equity payment is received from the Investor Member. During 2010, HANO will modify and extend the mortgage note, reducing the interest rate to 3 percent, with a maturity date of August 31, 2011.

Fischer III, LLC

In December 2003, Fischer III, LLC entered into a financing agreement with HANO to use the proceeds from the issuance of Capital Fund Program Revenue Bonds for the construction and development of the Project and payment of bond redemption. The principal amount of the note was \$13,634,195. In January 2005, Fischer III, LLC entered into a new financing agreement in the amount of \$14,710,628 with HANO. The loan bears interest at 3 percent with both the unpaid principal and interest due and payable on February 1, 2007. The note is in default and the interest rate has increased to 12 percent. Outstanding principal as of December 31, 2009 and 2008 was \$14,710,628 for both years. For the years ended December 31, 2009 and 2008, Fischer III, LLC incurred interest in the amount of \$1,765,276 and \$1,765,275, respectively. Accrued interest was \$6,038,209 and \$4,272,934, respectively.

The construction mortgage note will become permanent when the final equity payment is received from the Investor Member. During 2010, HANO will modify and extend the mortgage note, reducing the interest rate to 3 percent, with a maturity date of August 31, 2011.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE 6 - NOTES PAYABLE - RELATED PARTY

Notes payable to HANO consists of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
<u>Guste I, LLC</u>		
In November 2006, a supplemental loan in the amount of \$2,939,498 was obtained from HANO. The supplemental loan does not bear interest. The entire amount of unpaid principal is due and payable on November 1, 2061.	\$ 2,939,498	\$ 2,939,498
In January 2005, a construction loan in the amount of \$248,999 was obtained from HANO. The construction loan accrues interest at 3 percent with both the unpaid principal and interest due on January 31, 2060. For the years ended December 31, 2009 and 2008, interest incurred interest was \$7,470 for both years. Accrued interest was \$37,039 and \$29,569 at December 31, 2009 and 2008, respectively.	248,999	248,999

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Fischer I, LLC</u>		
During 2005, a Capital Funds Note was obtained from HANO to provide financing for the development of the Project. During 2007, there was an addition to the balance of this loan when HANO reimbursed JPMorgan Chase Bank for an outstanding construction loan. The loan bears interest at the long term applicable federal rate, which was 4.68 percent at the time the loan was funded, and is collateralized by the Project. All unpaid principal and interest is due on January 31, 2060, and payments on the loan are to be made from surplus cash. Interest incurred during the years ended December 31, 2009 and 2008 was \$72,753 for both years. Accrued interest payable as of December 31, 2009 is \$203,238 and \$125,208, respectively.	1,424,059	1,424,059
On January 20, 2005, a Program Income Construction Mortgage Note was obtained from HANO in the amount of \$196,300. The loan was obtained in connection with the financing of the acquisition, development, and construction of the Projects, and bears interest annually at the long term applicable federal rate, which was 4.76 percent at the time the loan was funded. The loan is collateralized by the Project, and the entire amount of unpaid principal and interest is due and payable on January 31, 2060. Interest incurred during the years ended December 31, 2009 and 2008 was \$11,198 for both years. Accrued interest payable as of December 31, 2009 and 2008 is \$50,152 and \$38,186, respectively.	196,300	196,300

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

	2009	2008
On November 1, 2006, a Supplemental Loan was obtained from HANO in the amount of \$130,000. The loan bears no interest and is collateralized by the Project. All unpaid principal is due on November 1, 2061, and payments on the loan are to be made from surplus cash.	130,000	130,000
On November 16, 2005, an Affordable Housing Program Loan was obtained from HANO in the amount of \$100,000, to assist with financing the Project. The loan bears no interest, and is collateralized by the Project. The loan matures fifteen years from completion of the Project, which occurred on May 27, 2006. The Affordable Housing Program Loan is payable from remaining mortgage proceeds, capital contributions, and available cash flow from the Project.	100,000	100,000
<u>Fischer III, LLC</u>		
On November 1, 2006, a Supplemental Loan was obtained with HANO in the amount of \$3,064,919. The loan bears no interest and is collateralized by the Project. All unpaid principal is due on November 1, 2061, and payments on the loan are to be made from surplus cash.	3,064,919	3,064,919
On November 16, 2005, an Affordable Housing Program Loan) was obtained HANO, in the amount of \$350,000, to assist the Company in financing the Project. The loan bears no interest, is collateralized by the Project, and is payable from remaining mortgage proceeds, capital contributions, and available cash flows from the Project. The loan will be maintained for 15 years from the date of Project completion.	350,000	350,000

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
In November 2005, a Program Income Loan was obtained HANO, in the amount of \$344,314. The loan was obtained in connection with the financing of the acquisition, development, and construction of the Project, is collateralized by the Project, and accrues interest at 0.5 percent. The loan is due January 2, 1060 and payments are to be made from cash flow as defined by the Operating Agreement. Interest incurred during the years ended December 31, 2009 and 2008 was \$1,722 for both years. Accrued interest at December 31, 2009 and 2008 as \$8,514 and \$6,792, respectively.	344,314	344,314

B. W. Cooper I, LLC

Developer services agreement obtained from HANO in the maximum original amount of \$10,926,688. The note will become due based on certain events that occur during construction. The note will accrue interest monthly at a rate of 4.89 percent. Unpaid principal and accrued interest will be due as close to the date the amounts are earned by HANO as possible; all unpaid principal will be due at maturity on December 31, 2019. On October 6, 2008 HANO advanced \$20,130,056 to B.W. Cooper I, LLC in order to fund predevelopment, demolition and infrastructure expenses for the development of mixed finance housing. Interest cost of \$2,043,262 and \$158,925 during 2009 and 2008, respectively was capitalized. Accrued interest was \$2,202,187 and \$158,925 at December 31, 2009 and 2008, respectively.	28,981,805	27,579,569
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Other notes payable forgiven by HANO upon closing of certain limited liability companies in 2009.

-	<u>2,045,311</u>
<u>\$ 37,779,894</u>	<u>\$ 38,422,969</u>

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE 8 - MANAGEMENT AGREEMENT

Guste I, LLC

Guste I, LLC has entered into a management agreement with Guste Homes Resident Management Corporation for a monthly management fee equal to \$23.50 per each occupied unit per month, and Alpha-Barnes Real Estate Services for a monthly compliance fee equal to \$11.50 per each occupied unit per month for Section 42 certification, leasing up and training. The compliance fee was discontinued in January 2009. For the year ended December 31, 2009, \$60,499 was charged to operations, of which no amounts remain payable. As no management fee was charged in prior periods, the amounts charged to operations for 2009 were from lease-up through December 31, 2009.

Fischer I, LLC

Fischer I, LLC entered into a management agreement with Latter & Blum Property Management, Inc., in connection with the management of the rental operations of the Project. The Property Management Fee is calculated in the amount of \$30 per occupied unit per month for which rent is actually received. For the years ended December 31, 2009 and 2008, \$6,570 and \$7,300, respectively, has been charged to operations and has been paid.

Fischer III, LLC

Fischer III, LLC entered into a management agreement with Latter & Blum Property Management, Inc., in connection with the management of the rental operations of the Project. The Property Management Fee is calculated in the amount of \$30 per occupied unit per month for which rent is actually received. For the years ended December 31, 2009 and 2008, \$34,470 and \$39,398, respectively, has been charged to operations and has been paid.

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Company maintains its cash and cash equivalents with financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 in each financial institution. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2009 and 2008.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE 10 - GROUND LEASE

Guste I, LLC

On December 30, 2003, Guste I, LLC entered into an 89-year ground lease with HANO. In consideration of a \$41,979 lump sum payment from Guste I, LLC on January 20, 2005, the payment obligations have been fully satisfied and discharged. As of December 31, 2009 and 2008, the prepaid ground lease was \$39,149 and \$39,621, respectively.

Fischer I, LLC

Fischer I, LLC entered into a ground lease with HANO. Fischer I, LLC is bound by the responsibilities and obligations of the ground lease. Under the ground lease, annual rent of \$10 is due and payable for each lease year in advance on the first day of each lease year. The lease term ends at the latest to occur of (1) the expiration of the minimum period during which the Public Housing Units are required by law to be operated as public housing, (2) 40 years from the date the Project becomes available for occupancy, and (3) 89 years. The lease also has provisions extending the ground lease, but in no event will the lease extend beyond 95 years.

Fischer III, LLC

On December 30, 2003, Fischer III, LLC entered into an 89-year ground lease (the "Ground Lease") with HANO. In consideration of a \$41,979 lump sum payment from Fischer III on January 20, 2005, the payment obligations have been fully satisfied and discharged. As of December 31, 2009 and 2008, the prepaid ground lease was \$39,156 and \$19,333, respectively.

B.W. Cooper I, LLC

On September 24, 2007, B.W. Cooper I, LLC entered into a 99-year ground lease (the "Ground Lease") with HANO. A payment of \$1,050,000 was paid and is being amortized using the straight-line basis. In addition, an annual rent of \$10 is due. As of December 31, 2009 and 2008, the prepaid ground lease was \$886,364 and \$947,728, respectively.

NOTE 11 - CONTINGENCIES

Tax Credits

For Guste I, LLC, Fischer I, LLC, and Fischer III, LLC, the low-income housing credits are contingent on the ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct non-compliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential non-compliance may require an adjustment to the contributed capital by the Investor Limited Partner of each entity.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE 12 - SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the consolidated financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through July 28, 2010 and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

It was determined that in 2007, the consolidated financial statements should have included certain limited liability companies in which Lune d'Or has a controlling interest. The effect of the change was to increase member's equity by \$271,615.

A wholly-owned subsidiary of Lune d'Or had a note payable to HANO that was forgiven as of December 31, 2007. The note was incorrectly shown as a note payable in the 2007 consolidated financial statements. The effect of the change was to increase member's equity by \$2,907,596.

In addition, CAHC had not made its member contribution as of December 31, 2007. The amount was incorrectly shown as a receivable and member contribution in the 2007 consolidated financial statements. The effect of the change was to reduce member's equity by \$100.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

The total effect on the financial statements as of December 31, 2007 and for the year then ended is reflected below:

	Balance December 31, 2007, as previously presented	Adjustment	Balance December 31, 2007, as restated
Current Assets			
Cash and cash equivalents	\$ 231,718	\$ 33,143,792	\$ 33,375,510
Accounts receivable - tenant	-	34,824	34,824
Accounts receivable - other	83,350	(100)	83,250
Prepaid expenses	40,170	627,565	667,735
Total Current Assets	355,238	33,806,081	34,161,319
Restricted cash	-	2,898,129	2,898,129
Rental Property			
Buildings and improvements	-	35,473,760	35,473,760
Land improvements	-	1,842,883	1,842,883
Furniture, equipment and machinery	-	870,178	870,178
Construction in progress	-	7,392,367	7,392,367
	-	45,579,188	45,579,188
Less accumulated depreciation	-	(1,579,776)	(1,579,776)
Total Rental Property	-	43,999,412	43,999,412
Other Noncurrent Assets			
Loan fees	-	1,665,929	1,665,929
Tax credit monitoring fees	-	12,616	12,616
Prepaid ground lease	-	2,904,004	2,904,004
Other assets	-	271,477	271,477
Total Other Noncurrent Assets	-	4,854,026	4,854,026
Total Assets	\$ 355,238	\$ 85,557,648	\$ 85,912,886

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

	Balance December 31, 2007, as previously presented	Adjustment	Balance December 31, 2007, as restated
Current Liabilities			
Accounts payable	\$ -	\$ 105,437	\$ 105,437
Construction costs payable	-	3,411,828	3,411,828
Accrued expenses	411	139,529	139,940
Asset management fee payable	-	46,350	46,350
Developer fee payable	-	2,186,110	2,186,110
Due to related parties	2,907,596	1,610,858	4,518,454
Construction note payable to related party	-	25,344,940	25,344,940
Accrued interest payable to related party	-	3,451,502	3,451,502
Total Current Liabilities	2,908,007	36,296,554	39,204,561
Deposits and Prepaid Liability			
Resident security deposits	-	20,948	20,948
Prepaid rent	-	632	632
Total Deposits and Prepaid Liability	-	21,580	21,580
Long-Term Liabilities			
Notes payable - related party	-	47,989,967	47,989,967
Accrued interest payable	-	797,689	797,689
Total Long-Term Liabilities	-	48,787,656	48,787,656
Equity (deficit)			
Member's equity (deficit)	(2,552,769)	3,179,111	626,342
Noncontrolling interest	-	(2,727,253)	(2,727,253)
Total equity (deficit)	(2,552,769)	451,858	(2,100,911)
Total Liabilities and Members' Equity (Deficit)	\$ 355,238	\$ 85,557,648	\$ 85,912,886

SUPPLEMENTAL INFORMATION

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING BALANCE SHEET

December 31, 2009

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Fischer IV-3, LLC	Guste I, LLC	Guste IIb, LLC	BW Cooper I, LLC	Imperial I, LLC
Current Assets								
Cash and cash equivalents	\$ -	\$ 439,124	\$ 886,917	\$ -	\$ 498,746	\$ -	\$ 9,785,735	\$ -
Accounts receivable - tenant	-	903	28,030	-	12,159	-	-	-
Accounts receivable - other	138,750	-	-	-	479,495	-	-	-
Prepaid expenses	-	5,946	26,447	-	23,873	-	-	-
Due from related party	-	-	579,711	-	-	-	-	-
Total Current Assets	138,750	445,973	1,521,105	-	1,014,273	-	9,785,735	-
Restricted Deposits and Funded Reserves								
Resident security deposits	-	1,815	8,605	-	18,300	-	-	-
Replacement reserve	-	45,879	122,819	-	-	-	-	-
Other escrows	-	-	-	-	2,193,120	-	-	-
Total Restricted Deposits and Funded Reserves	-	47,694	131,424	-	2,211,420	-	-	-
Rental Property								
Buildings and improvements	-	3,475,435	17,420,417	-	12,288,357	-	-	-
Land improvements	-	261,845	2,197,496	-	2,401,278	-	-	-
Furniture, equipment and machinery	-	66,625	532,114	-	281,800	-	-	-
Construction in progress	-	-	-	-	-	-	20,518,379	-
Less accumulated depreciation	-	3,803,905	20,150,027	-	14,971,435	-	20,518,379	-
	-	(488,256)	(2,371,329)	-	(1,379,593)	-	-	-
Total Rental Property	-	3,315,649	17,778,698	-	13,591,842	-	20,518,379	-
Other Noncurrent Assets								
Loan fees	-	-	529,957	-	917,351	-	-	-
Tax credit monitoring fees	-	1,523	9,281	-	-	-	-	-
Prepaid ground lease	-	-	39,156	-	39,149	-	886,364	-
Other assets	271,477	-	-	-	-	-	-	-
Total Other Noncurrent Assets	271,477	1,523	578,394	-	956,500	-	886,364	-
Total Assets	\$ 410,227	\$ 3,810,839	\$ 20,009,621	\$ -	\$ 17,774,035	\$ -	\$ 31,190,478	\$ -

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING BALANCE SHEET - CONTINUED

December 31, 2009

	Florida IIa, LLC	General Ogden, LLC	Tchoupitoulas, LLC	Mazant Royal, LLC	Imperial II, LLC	Eliminations	Total
Current Assets							
Cash and cash equivalents	\$ 228,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,839,171
Accounts receivable - tenant	-	-	-	-	-	-	41,092
Accounts receivable - other	-	-	-	-	-	(138,750)	479,495
Prepaid expenses	-	-	-	-	-	-	56,266
Due from related party	-	-	-	-	-	(579,711)	-
Total Current Assets	<u>228,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(718,461)</u>	<u>12,416,024</u>
Restricted Deposits and Funded Reserves							
Resident security deposits	-	-	-	-	-	-	28,720
Replacement reserve	-	-	-	-	-	-	168,698
Other escrows	-	-	-	-	-	-	2,193,120
Total Restricted Deposits and Funded Reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,390,538</u>
Rental Property							
Buildings and improvements	-	-	-	-	-	-	33,184,209
Land improvements	-	-	-	-	-	-	4,860,619
Furniture, equipment and machinery	-	-	-	-	-	-	880,539
Construction in progress	-	-	-	-	-	-	20,518,379
Less accumulated depreciation	-	-	-	-	-	-	<u>59,443,746</u>
Total Rental Property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,204,568</u>
Other Noncurrent Assets							
Loan fees	-	-	-	-	-	-	1,447,308
Tax credit monitoring fees	-	-	-	-	-	-	10,804
Prepaid ground lease	-	-	-	-	-	-	964,669
Other assets	-	-	-	-	-	-	271,477
Total Other Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,694,258</u>
Total Assets	<u>\$ 228,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (718,461)</u>	<u>\$ 72,705,388</u>

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING BALANCE SHEET - CONTINUED

December 31, 2009

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Fischer IV-3, LLC	Guste I, LLC	Guste IIb, LLC	BW Cooper I, LLC	Imperial I, LLC
Current Liabilities								
Accounts payable	\$ -	\$ 1,509	\$ 6,481	\$ -	\$ 8,790	\$ -	\$ 52,587	\$ -
Accrued expenses	-	24,629	-	-	445,036	-	-	-
Asset management fee payable	-	2,500	15,318	-	5,487	-	-	-
Developer fee payable	-	231,036	1,055,564	-	899,510	-	-	-
Due to related party	-	1,072,710	1,963,348	-	2,871,794	-	-	-
Construction note payable to related party	-	-	14,710,628	-	10,634,312	-	-	-
Accrued interest payable to related party	-	-	6,038,209	-	2,538,940	-	-	-
Total Current Liabilities	-	1,332,384	23,789,548	-	17,403,869	-	52,587	-
Deposits and Prepaid Liability								
Resident security deposits	-	1,815	8,605	-	16,200	-	-	-
Prepaid rent	-	196	5,201	-	-	-	-	-
Total Deposits and Prepaid Liability	-	2,011	13,806	-	16,200	-	-	-
Long-Term Liabilities								
Notes payable - related party	-	1,850,359	3,759,233	-	3,188,497	-	28,981,805	-
Accrued interest payable	-	253,390	8,514	-	37,039	-	2,202,187	-
Total Long-Term Liabilities	-	2,103,749	3,767,747	-	3,225,536	-	31,183,992	-
Equity (deficit)								
Member's equity (deficit)	410,227	372,695	(7,561,480)	-	(2,871,570)	-	(46,101)	-
Noncontrolling interest	-	-	-	-	-	-	-	-
Total equity (deficit)	410,227	372,695	(7,561,480)	-	(2,871,570)	-	(46,101)	-
Total Liabilities and Member's Equity (Deficit)	\$ 410,227	\$ 3,810,839	\$ 20,009,621	\$ -	\$ 17,774,035	\$ -	\$ 31,190,478	\$ -

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING BALANCE SHEET - CONTINUED

December 31, 2009

	Florida IIa, LLC	General Ogden, LLC	Tchoupitoulas, LLC	Mazant Royal, LLC	Imperial II, LLC	Eliminations	Total
Current Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,367
Accrued expenses	-	-	-	-	-	-	469,665
Asset management fee payable	-	-	-	-	-	-	23,305
Developer fee payable	-	-	-	-	-	-	2,186,110
Due to related party	-	-	-	-	-	(718,461)	5,189,391
Construction note payable to related party	-	-	-	-	-	-	25,344,940
Accrued interest payable to related party	-	-	-	-	-	-	8,577,149
Total Current Liabilities	-	-	-	-	-	(718,461)	41,859,927
Deposits and Prepaid Liability							
Resident security deposits	-	-	-	-	-	-	26,620
Prepaid rent	-	-	-	-	-	-	5,397
Total Deposits and Prepaid Liability	-	-	-	-	-	-	32,017
Long-Term Liabilities							
Notes payable - related party	-	-	-	-	-	-	37,779,894
Accrued interest payable	-	-	-	-	-	-	2,501,130
Total Long-Term Liabilities	-	-	-	-	-	-	40,281,024
Equity (deficit)							
Member's equity (deficit)	228,649	-	-	-	-	10,059,349	591,769
Noncontrolling interest	-	-	-	-	-	(10,059,349)	(10,059,349)
Total equity (deficit)	228,649	-	-	-	-	-	(9,467,580)
Total Liabilities and Member's Equity (Deficit)	\$ 228,649	\$ -	\$ -	\$ -	\$ -	\$ (718,461)	\$ 72,705,388

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING BALANCE SHEET

December 31, 2008

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Fischer IV-3, LLC	Guste I, LLC	Guste IIb, LLC	BW Cooper I, LLC	Imperial I, LLC
Current Assets								
Cash and cash equivalents	\$ -	\$ 562,879	\$ 889,345	\$ 380	\$ 676,441	\$ -	\$ 20,265,857	\$ -
Accounts receivable - tenant	-	4,657	23,559	-	2,908	-	-	-
Accounts receivable - other	111,000	-	-	-	208,947	-	-	-
Prepaid expenses	-	63,981	235,452	82,296	12,384	93,414	-	47,165
Due from related parties	-	-	579,711	-	-	-	-	-
Total Current Assets	111,000	631,517	1,728,067	82,676	900,680	93,414	20,265,857	47,165
Restricted Deposits and Funded Reserves								
Resident security deposits	-	-	7,305	-	-	-	-	-
Other escrow	-	1,815	586,495	-	2,249,860	-	-	-
Total Restricted Deposits and Funded Reserves	-	1,815	593,800	-	2,249,860	-	-	-
Rental Property								
Buildings and improvements	-	3,475,435	17,420,417	-	12,288,357	-	-	-
Land improvements	-	261,845	2,158,534	-	1,842,883	-	-	-
Furniture, equipment and machinery	-	66,625	532,114	-	281,800	-	-	-
Construction in progress	-	-	-	422,602	-	131,275	6,514,642	294,550
Less: Accumulated depreciation	-	(3,803,905)	(20,111,065)	422,602	14,413,040	131,275	6,514,642	294,550
	-	(374,394)	(1,697,405)	-	(848,452)	-	-	-
Total Rental Property	-	3,429,511	18,413,660	422,602	13,564,588	131,275	6,514,642	294,550
Other Noncurrent Assets								
Loan fees	-	-	567,648	-	987,011	-	-	-
Tax credit monitoring fees	-	1,656	10,054	-	-	-	-	-
Prepaid ground lease	-	-	19,333	-	39,621	-	947,728	-
Other assets	321,877	-	-	-	-	-	-	-
Total Other Noncurrent Assets	321,877	1,656	597,035	-	1,026,632	-	947,728	-
Total Assets	\$ 432,877	\$ 4,064,499	\$ 21,332,562	\$ 505,278	\$ 17,741,760	\$ 224,689	\$ 27,728,227	\$ 341,715

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING BALANCE SHEET - CONTINUED

December 31, 2008

	Florida Iia, LLC	General Ogden, LLC	CJ Pecte I, LLC	Tchoupitoulas, LLC	Mazant Royal, LLC	Imperial II, LLC	St. Bernard I, LLC	CJ Pecte III, LLC	Eliminations	Total
Current Assets										
Cash and cash equivalents	\$ 234,938	\$ 116	\$ -	\$ -	\$ 196	\$ -	\$ -	\$ -	\$ -	\$ 22,630,152
Accounts receivable - tenant	-	-	-	-	-	-	-	-	-	31,124
Accounts receivable - other	-	-	-	-	-	-	-	-	(111,000)	208,947
Prepaid expenses	40,642	42,586	-	32,054	35,259	47,165	-	-	-	732,398
Due from related parties	-	-	-	-	-	-	-	-	(579,711)	-
Total Current Assets	275,580	42,702	-	32,054	35,455	47,165	-	-	(690,711)	23,602,621
Restricted Deposits and Funded Reserves										
Resident security deposits	-	-	-	-	-	-	-	-	-	7,305
Other escrow	-	-	-	-	-	-	-	-	-	2,838,170
Total Restricted Deposits and Funded Reserves	-	-	-	-	-	-	-	-	-	2,845,475
Rental Property										
Buildings and improvements	-	-	-	-	-	-	-	-	-	33,184,209
Land improvements	-	-	-	-	-	-	-	-	-	4,263,262
Furniture, equipment and machinery	-	-	-	-	-	-	-	-	-	880,539
Construction in progress	-	420,887	-	247,402	250,878	260,628	-	-	-	8,542,864
Less: Accumulated depreciation	-	420,887	-	247,402	250,878	260,628	-	-	-	46,870,874
Total Rental Property	-	420,887	-	247,402	250,878	260,628	-	-	-	(2,920,251)
Other Noncurrent Assets										
Loan fees	-	-	-	-	-	-	-	-	-	1,554,659
Tax credit monitoring fees	-	-	-	-	-	-	-	-	-	11,710
Prepaid ground lease	-	-	-	-	-	-	-	-	-	1,006,682
Other assets	-	-	-	-	-	-	-	-	-	321,877
Total Other Noncurrent Assets	-	-	-	-	-	-	-	-	-	2,894,928
Total Assets	\$ 275,580	\$ 463,589	\$ -	\$ 279,456	\$ 286,333	\$ 307,793	\$ -	\$ -	\$ (690,711)	\$ 73,293,647

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING BALANCE SHEET - CONTINUED

December 31, 2008

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Fischer IV-3, LLC	Guste I, LLC	Guste IIb, LLC	BW Cooper I, LLC	Imperial I, LLC
Current Liabilities								
Accounts payable	\$ -	\$ 1,509	\$ 6,526	\$ -	\$ -	\$ 2,300	\$ 51,627	\$ -
Construction costs payable	-	-	332,659	-	410,173	-	-	-
Accrued expenses	-	1,289	-	-	235,013	-	-	-
Asset management fee payable	-	-	9,664	-	-	-	-	-
Developer fee payable	-	231,036	1,055,564	-	899,510	-	-	-
Due to related parties	-	1,144,176	1,978,804	-	2,300,593	-	-	-
Construction note payable to related party	-	-	14,710,628	-	10,634,312	-	-	-
Accrued interest payable to related party	-	-	4,272,934	-	1,262,823	-	-	-
Total Current Liabilities	-	1,378,010	22,366,779	-	15,742,424	2,300	51,627	-
Deposits and Prepaid Liability								
Resident security deposits	-	1,815	7,305	-	16,647	-	-	-
Prepaid rent	-	196	7,189	-	-	-	-	-
Total Deposits and Prepaid Liability	-	2,011	14,494	-	16,647	-	-	-
Long-Term Liabilities								
Notes payable - related party	-	1,850,359	3,759,233	424,622	3,188,497	133,028	27,579,569	303,237
Accrued interest payable	-	163,394	6,792	137,655	29,569	116,545	158,925	65,607
Total Long-Term Liabilities	-	2,013,753	3,766,025	562,277	3,218,066	249,573	27,738,494	368,844
Member's equity (deficit)	432,877	670,725	(4,814,736)	(56,999)	(1,235,377)	(27,184)	(61,894)	(27,129)
Noncontrolling interest	-	-	-	-	-	-	-	-
Total equity	432,877	670,725	(4,814,736)	(56,999)	(1,235,377)	(27,184)	(61,894)	(27,129)
Total Liabilities and Member's Equity (Deficit)	\$ 432,877	\$ 4,064,499	\$ 21,332,562	\$ 505,278	\$ 17,741,760	\$ 224,689	\$ 27,728,227	\$ 341,715

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING BALANCE SHEET - CONTINUED

December 31, 2008

	Florida IIa, LLC	General Ogden, LLC	CJ Peete I, LLC	Tchoupitoulas, LLC	Mazant Royal, LLC	Imperial II, LLC	St. Bernard I, LLC	CJ Peete III, LLC	Eliminations	Total
Current Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,962
Construction costs payable	-	-	-	-	-	-	-	-	-	742,832
Accrued expenses	-	-	-	-	-	-	-	-	-	236,302
Asset management fee payable	-	-	-	-	-	-	-	-	-	9,664
Developer fee payable	-	-	-	-	-	-	-	-	-	2,186,110
Due to related parties	-	-	-	-	-	-	-	-	(690,711)	4,732,862
Construction note payable to related party	-	-	-	-	-	-	-	-	-	25,344,940
Accrued interest payable to related party	-	-	-	-	-	-	-	-	-	5,535,757
Total Current Liabilities	-	-	-	-	-	-	-	-	(690,711)	38,850,429
Deposits and Prepaid Liability										
Resident security deposits	-	-	-	-	-	-	-	-	-	25,767
Prepaid rent	-	-	-	-	-	-	-	-	-	7,385
Total Deposits and Prepaid Liability	-	-	-	-	-	-	-	-	-	33,152
Long-Term Liabilities										
Notes payable - related party	-	431,595	-	239,346	245,513	267,970	-	-	-	38,422,969
Accrued interest payable	-	74,166	-	62,755	59,903	74,165	-	-	-	949,476
Total Long-Term Liabilities	-	505,761	-	302,101	305,416	342,135	-	-	-	39,372,445
Member's equity (deficit)	275,580	(42,172)	-	(22,645)	(19,083)	(34,342)	-	-	5,378,850	416,471
Noncontrolling interest	-	-	-	-	-	-	-	-	(5,378,850)	(5,378,850)
Total equity	275,580	(42,172)	-	(22,645)	(19,083)	(34,342)	-	-	-	(4,962,379)
Total Liabilities and Member's Equity (Deficit)	\$ 275,580	\$ 463,589	\$ -	\$ 279,456	\$ 286,333	\$ 307,793	\$ -	\$ -	\$ (690,711)	\$ 73,293,647

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING STATEMENT OF OPERATIONS

Year ended December 31, 2009

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Fischer IV-3, LLC	Guste I, LLC	Guste IIb, LLC	BW Cooper I, LLC	Imperial I, LLC
Revenue								
Rental income	\$ -	\$ 171,271	\$ 739,793	\$ -	\$ 622,740	\$ -	\$ -	\$ -
Vacancies and concessions	-	(5,501)	(75,361)	-	-	-	-	-
Other operating income	27,750	8,354	19,278	-	307,994	-	-	-
Total Revenue	27,750	174,124	683,710	-	930,734	-	-	-
Operating Expenses								
Salaries and employee benefits	-	55,805	181,831	-	208,119	-	-	-
Repairs and maintenance	-	67,704	357,190	-	75,355	-	-	-
Utilities	-	21,956	95,666	-	140,472	-	-	-
Property management fee	-	6,570	34,470	-	60,499	-	-	-
Property insurance	-	67,001	210,092	-	137,121	-	-	-
Miscellaneous operating expenses	-	46,395	51,318	-	43,078	-	-	-
Total Operating Expenses	-	265,431	930,567	-	664,644	-	-	-
Net Operating Income (Loss)	27,750	(91,307)	(246,857)	-	266,090	-	-	-
Other Income (Expense)								
Interest income	-	486	622	-	1,795	-	15,793	-
Interest expense	-	(89,996)	(1,766,997)	-	(1,283,587)	-	-	-
Other financial income (expense)	-	(718)	-	-	(1,431)	-	-	-
Miscellaneous other income (expense)	(50,400)	-	-	-	(472)	-	-	-
Annual fee to affiliate of limited partner	-	(2,500)	(5,674)	-	(5,487)	-	-	-
Other related party fees and expenses	-	-	(15,450)	-	(12,300)	-	-	-
Gain (loss) on disposal of assets	-	-	-	56,999	-	27,184	-	27,129
Depreciation	-	(113,862)	(673,924)	-	(531,141)	-	-	-
Amortization	-	(133)	(38,464)	-	(69,660)	-	-	-
Total Other Income (Expense)	(50,400)	(206,723)	(2,499,887)	56,999	(1,902,283)	27,184	15,793	27,129
Net Income (Loss)	(22,650)	(298,030)	(2,746,744)	56,999	(1,636,193)	27,184	15,793	27,129
Non-controlling interest	-	-	-	-	-	-	-	-
Net Income (Loss) Attributable to Lune d'Or Enterprises, LLC	\$ (22,650)	\$ (298,030)	\$ (2,746,744)	\$ 56,999	\$ (1,636,193)	\$ 27,184	\$ 15,793	\$ 27,129

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING STATEMENT OF OPERATIONS - CONTINUED

Year ended December 31, 2009

	Florida IIa, LLC	General Ogden, LLC	Tchoupitoulas, LLC	Mazant Royal, LLC	Imperial II, LLC	Eliminations	Total
Revenue							
Rental income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,533,804
Vacancies and concessions	-	-	-	-	-	-	(80,862)
Other operating income	-	-	-	-	-	(27,750)	335,626
Total Revenue	-	-	-	-	-	(27,750)	1,788,568
Operating Expenses							
Salaries and employee benefits	-	-	-	-	-	-	445,755
Repairs and maintenance	-	-	-	-	-	-	500,249
Utilities	-	-	-	-	-	-	258,094
Property management fee	-	-	-	-	-	-	101,539
Property insurance	-	-	-	-	-	-	414,214
Miscellaneous operating expenses	6,521	-	-	-	-	-	147,312
Total Operating Expenses	6,521	-	-	-	-	-	1,867,163
Net Operating Income (Loss)	(6,521)	-	-	-	-	(27,750)	(78,595)
Other Income (Expense)							
Interest income	229	-	-	-	-	-	18,925
Interest expense	-	-	-	-	-	-	(3,140,580)
Other financial income (expense)	-	-	-	-	-	-	(2,149)
Miscellaneous other income (expense)	-	-	-	-	-	-	(50,872)
Annual fee to affiliate of limited partner	-	-	-	-	-	-	(13,661)
Other related party fees and expenses	-	-	-	-	-	27,750	-
Gain (loss) on disposal of assets	(40,639)	42,172	22,645	19,083	34,342	-	188,915
Depreciation	-	-	-	-	-	-	(1,318,927)
Amortization	-	-	-	-	-	-	(108,257)
Total Other Income (Expense)	(40,410)	42,172	22,645	19,083	34,342	27,750	(4,426,606)
Net Income (Loss)	(46,931)	42,172	22,645	19,083	34,342	-	(4,505,201)
Non-controlling interest	-	-	-	-	-	(4,680,499)	(4,680,499)
Net Income (Loss) Attributable to Lune d'Or Enterprises, LLC	\$ (46,931)	\$ 42,172	\$ 22,645	\$ 19,083	\$ 34,342	\$ 4,680,499	\$ 175,298

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING STATEMENT OF OPERATIONS

Year ended December 31, 2008

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Fischer IV-3, LLC	Guste I, LLC	Guste IIb, LLC	BW Cooper I, LLC	Imperial I, LLC
Revenue								
Rental income	\$ -	\$ 135,198	\$ 610,744	\$ -	\$ 518,667	\$ -	\$ -	\$ -
Other operating income	27,750	17,675	6,616	-	10,266	-	-	-
Total Revenue	27,750	152,873	617,360	-	528,933	-	-	-
Operating Expenses								
Salaries and employee benefits	-	15,664	98,956	-	137,484	-	-	-
Repairs and maintenance	-	56,030	97,254	-	1,816	-	-	-
Utilities	-	37,607	88,890	-	61,209	-	-	-
Property management fee	-	7,300	39,398	-	-	-	-	-
Property insurance	-	42,770	7,142	-	145,120	-	-	-
Miscellaneous operating expenses	-	14,837	126,386	-	25,306	-	268	-
Total Operating Expenses	-	174,208	458,026	-	370,935	-	268	-
Net Operating Income (Loss)	27,750	(21,335)	159,334	-	157,998	-	(268)	-
Other Income (Expense)								
Interest income	-	7,557	18,653	15,355	34,549	17,142	111,042	5,936
Interest expense	-	(79,768)	(1,766,997)	(63,490)	(326,499)	(42,381)	(73,350)	(25,672)
Other financial income (expense)	-	-	(5,524)	-	-	-	-	-
Miscellaneous other income (expense)	-	155,295	185,094	(4,023)	-	-	-	-
Annual fee to affiliate of limited partner	-	-	(5,524)	-	-	-	-	-
Other related party fees and expenses	-	-	(15,450)	-	(12,300)	-	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-
Depreciation	-	(117,795)	(692,167)	-	(530,532)	-	-	-
Amortization	-	(113)	(37,320)	-	(74,723)	-	-	-
Total Other Income (Expense)	-	(34,824)	(2,319,235)	(52,158)	(909,505)	(25,239)	37,692	(19,736)
Net Income (Loss)	27,750	(56,159)	(2,159,901)	(52,158)	(751,507)	(25,239)	37,424	(19,736)
Non-controlling Interest	-	-	-	-	-	-	-	-
Net Income (Loss) Attributable to Lune d'Or Enterprises, LLC	\$ 27,750	\$ (56,159)	\$ (2,159,901)	\$ (52,158)	\$ (751,507)	\$ (25,239)	\$ 37,424	\$ (19,736)

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING STATEMENT OF OPERATIONS - CONTINUED

Year ended December 31, 2008

	Florida Ia, LLC	General Ogden, LLC	CJ Pecte I, LLC	Tchoupitoulas, LLC	Mazant Royal, LLC	Imperial II, LLC	St. Bernard I, LLC	CJ Pecte III, LLC	Eliminations	Total
Revenue										
Rental income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,264,609
Other operating income	-	-	-	-	-	-	-	-	(27,750)	34,557
Total Revenue	-	-	-	-	-	-	-	-	(27,750)	1,299,166
Operating Expenses										
Salaries and employee benefits	-	-	-	-	-	-	659	-	-	252,763
Repairs and maintenance	-	-	-	-	-	-	-	-	-	155,100
Utilities	-	-	-	-	-	-	-	-	-	187,706
Property management fee	-	-	-	-	-	-	-	-	-	46,698
Property insurance	-	-	-	-	-	-	-	-	-	195,032
Miscellaneous operating expenses	-	-	-	-	-	-	-	-	-	166,797
Total Operating Expenses	-	-	-	-	-	-	659	-	-	1,004,096
Net Operating Income (Loss)	-	-	-	-	-	-	(659)	-	(27,750)	295,070
Other Income (Expense)										
Interest income	3,575	4,060	16,249	6,818	6,879	6,373	119,027	85,946	-	459,161
Interest expense	-	(34,230)	(73,350)	(22,820)	(19,968)	(34,229)	(42,788)	(67,238)	-	(2,672,780)
Other financial income (expense)	-	-	-	-	-	-	-	-	-	(5,524)
Miscellaneous other income (expense)	50,517	-	-	-	-	-	458,326	-	-	845,209
Annual fee to affiliate of limited partner	-	-	-	-	-	-	-	-	-	(5,524)
Other related party fees and expenses	-	-	-	-	-	-	-	-	27,750	-
Gain (loss) on disposal of assets	-	-	66,655	-	-	-	(473,087)	82,002	-	(324,430)
Depreciation	-	-	-	-	-	-	-	-	-	(1,340,494)
Amortization	-	-	-	-	-	-	-	-	-	(112,156)
Total Other Income (Expense)	54,092	(30,170)	9,554	(16,002)	(13,089)	(27,856)	61,478	100,710	27,750	(3,156,538)
Net Income (Loss)	54,092	(30,170)	9,554	(16,002)	(13,089)	(27,856)	60,819	100,710	-	(2,861,468)
Non-controlling interest	-	-	-	-	-	-	-	-	(2,651,597)	(2,651,597)
Net Income (Loss) Attributable to Lune d'Or Enterprises, LLC	\$ 54,092	\$ (30,170)	\$ 9,554	\$ (16,002)	\$ (13,089)	\$ (27,856)	\$ 60,819	\$ 100,710	\$ 2,651,597	\$ (209,871)

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members,
Lune d'Or Enterprises, LLC and Subsidiaries

We have audited the consolidated financial statements of Lune d'Or Enterprises, LLC and Subsidiaries (the Company) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 28, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions and requirements was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance and another matter that is required to be reported under Government Auditing Standards and which is combined into one finding described in the accompanying schedule of findings and responses as item 2009-1 and 2008-1. The Company's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Company's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members, management, and others within the Company, and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Charlotte, North Carolina
July 28, 2010

Lune d'Or Enterprises, LLC and Subsidiaries
SCHEDULE OF FINDINGS AND RESPONSES

Years ended December 31, 2009 and 2008

2009-1 and 2008-1 INTERNAL CONTROLS OVER FINANCIAL REPORTING

Condition

The auditor noted instances of poor controls over financial reporting. Among the items noted were the following:

Accounting standards were not applied to consolidate the financial statements in accordance with generally accepted accounting principles which required consolidation of limited liability companies in which the Company had controlling interest, resulting in a restatement of previously issued financial statements.

Certain transactions in prior years were not recorded, also resulting in a restatement of previously issued financial statements.

In addition, the 2009 and 2008 financial statements were not filed timely with the State of Louisiana.

Cause

There has been a lack of management oversight over the financial reporting process.

Recommendation

We recommend that personnel are appointed to oversee the financial reporting process in order to properly reflect the financial position and results of operations of the Company.

Management Response

The financial reporting responsibilities of Lune d'Or Enterprises, LLC have been re-assigned to an individual so that the above conditions will not occur in the future.

Lune d'Or Enterprises, LLC and Subsidiaries

SCHEDULE OF PRIOR YEARS FINDINGS

Year ended December 31, 2009

Finding – Deficiency in Internal Control over Financial Reporting

Deficiency 2008-1

Accounting standards were not applied to consolidate the financial statements in accordance with generally accepted accounting principles, which required consolidation of limited liability companies in which Lune d'Or had controlling interest, resulting in a restatement of previously issued financial statements.

Certain transactions in prior years were not recorded, also resulting in a restatement of previously issued financial statements.

In addition, the 2008 financial statements were not filed timely with the State of Louisiana.

Status

Accuracy of the financial statements in accordance with accounting principles generally accepted in the United States of America was addressed and resolved in the 2009 financial statements.

The timely filing of the financials with the State of Louisiana was still open, see finding 2009-1.

Deficiency 2007-01

Inadequate design of internal control over the preparation of the financial statements being audited.

Status

Still open, see finding 2009-1.

Lune d'Or Enterprises, LLC and Subsidiaries

SCHEDULE OF PRIOR YEARS FINDINGS

Year ended December 31, 2009

Deficiency 2007-02

Failure to post adjusting journal entries from the prior year audit.

Status

Closed, 2007 and 2008 audit adjustments were recorded by the Company.

Deficiency 2007-03

Failure to account for depreciation.

Status

Closed.

Deficiency 2007-04

The 2007 financial statements were not filed timely with the State of Louisiana.

Status

Still open, see finding 2009-1 and 2008-1.